GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:228
ANSWERED ON:17.03.2017
Tax Incentives to Sugar Industry
Puttaraju Shri C.S.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of the pitiable condition of sugar industry in the country and if so, the details thereof;

(b) whether the Government proposes any time bound action plan for tax incentives for the development of sugar industry in the country; and

(c) if so, the details thereof and the steps taken / proposed to be taken by the Government in this regard?

Answer

MINISTER OF FINANCE
(SHRI ARUN JAITLEY)

(a), (b) and (c):A statement is placed on the Table of the House.
STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO.228 RAISED BY SHRI C.S. PUTTA RAJU FOR 17TH MARCH, 2017 REGARDING TAX INCENTIVES TO SUGAR INDUSTRY

Parts (a), (b) and (c): Sustained surplus production over domestic consumption since 2010-11 sugar season had led to subdued sugar prices, which had stressed the liquidity position of the industry throughout the country leading to build up sugarcane price arrears, reaching to a high of Rs. 21837 crore as on 15.04.2015 for sugar season 2014-15.
To mitigate the situation, Government has taken the following measures in past three years to improve the liquidity position of the sugar industry enabling them to make timely payment of cane dues:
(a) In August, 2014, basic customs duty on raw and white/refined sugar was increased from 15% to 25% and subsequently to 40% in April 2015.
(b) Financial assistance was extended to the sugar mills in the form of interest free loan through banks under Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU), 2014. Loans amounting to Rs. 6484.77 crore were disbursed to sugar mills under this Scheme during sugar season 2013-14.
(c) Financial assistance was provided through raw sugar export incentive scheme. Rs.413 crore was disbursed under the scheme during sugar season 2013-14 and 2014-15.
(d) Financial assistance of Rs.4212 crore was extended under soft loan Scheme during sugar season 2014-15. Funds were directly credited to farmers account on behalf of sugar mills through banks. About 32 lakh farmers in the country benefited from this Scheme.
(e) Supply of ethanol was facilitated under Ethanol Blended Petrol Programme (EBP) by fixing remunerative price and waiving off excise duty on supply of ethanol during sugar season 2015-16 (up to 10th August, 2016). Notwithstanding ethanol for blending being exempt from excise duty, credit of excise duty paid on inputs used in its manufacture was also allowed.
(f) A comprehensive performance based production subsidy has been extended @ Rs.4.50 per quintal of cane crushed payable to farmers against their cane dues contingent on mills undertaking export and supplying of ethanol during sugar season 2015-16.
These measures have improved liquidity position of the sugar industry, enabling them to clear sugarcane price dues. The sugarcane price arrears of farmers reduced from its peak level of Rs. 21837 crore to Rs. 481 crore in sugar season 2014-15 and for sugar season 2015-16, about 98% of sugarcane dues have been cleared. Further, domestic sugar price has improved above their operational viability level strengthening the financial position of sugar mills.
In view of the above, there is no proposal presently under consideration of the Government to provide any tax incentive to the sugar industry.

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